

STATEMENT OF
THE HONORABLE JERRY F. COSTELLO
SUBCOMMITTEE ON AVIATION
HEARING ON
THE PROPOSED UNITED-CONTINENTAL MERGER: POTENTIAL EFFECTS FOR CONSUMERS
AND THE INDUSTRY
JUNE 16, 2010

- I welcome everyone to the Aviation Subcommittee's hearing on the proposed merger between United Air Lines and Continental Airlines and its potential effects for consumers and the industry. In particular, I want to recognize and thank the Families of Colgan Flight 3407 for being with us today and for their steadfast support to improve pilot training and safety in the industry.

- Given that we have several panels, I intend to make a brief opening statement; then recognize Mr. Petri for his opening statement and then proceed to the member panel.

- Last month, United and Continental announced they would merge to form an airline that, by several measures, will be the world's largest airline. United and Continental claim the proposed merger will generate up to \$1.2 billion in annual revenue and will create cost synergies from more effective aircraft utilization, a more comprehensive route network, and improved operational efficiency.
- In 2008, this Subcommittee also held a hearing on the merger of Delta Air Lines and Northwest Airlines. At that time, there was speculation that other carriers within the industry would merge, to create a U.S. airline industry dominated by just a few mega-carriers.
- Just two years later, as many predicted, we are meeting again to discuss another proposed combination that would surpass Delta

as the world's largest airline. This merger would leave our U.S. industry with only four legacy network airlines. We all have a shared interest in maintaining a safe, reliable, competitive, and profitable air transportation system, and we must ask critical questions on the long-term implications of continued mergers for the future of the industry.

- I am very concerned how this merger, if approved, will affect ticket prices for passengers; how the merger would affect the pilots, flight attendants, mechanics, and employees of both airlines; how many employees will lose their jobs or see reduced wages and benefits; and what will happen with existing union contracts. Less competition generally leads to higher prices, fewer choices, and a loss of jobs. I sympathize with the thousands of airline employees who have suffered as a result of airlines' financial problems in the past. Many have seen their

hard-earned pensions dropped during airline bankruptcies, seniority rights disappear, labor disputes go unresolved, wages frozen or cut, and jobs lost to outsourcing and consolidation.

- The merger should not take place at the expense of consumers or the workers who have already made tremendous sacrifices.

Unfortunately, past mergers have not always demonstrated that consumers, employees, and local economies will be better served by consolidation.

- Therefore, what I want to learn from this hearing is: (1) How is this proposed merger different from past mergers? and (2) How will this merger really affect consumers and employees?

- Currently, both the Department of Justice (DOJ) and the Department of Transportation (DOT) are in the process of reviewing the merger.

- I understand that United and Continental are hopeful a decision will be made before the end of the year. Although we do not have a government panel testifying today, I trust that the appropriate Federal agencies will subject the proposed merger to thorough review and will ensure it is consistent with the requirements of the law.

- Finally, I am interested in hearing from the analysts on our second panel regarding the pros and cons of this merger, the prospects for future mergers, and whether low-cost carriers will be able to effectively keep air fares down in markets affected by the merger.

➤ Before I recognize Mr. Petri for his opening statement, I ask unanimous consent to allow 2 weeks for all Members to revise and extend their remarks and to permit the submission of additional statements and materials by Members and witnesses.

➤ Additionally, on my request, the Department of Justice has prepared a letter explaining its antitrust review process in general. The letter does not deal with this merger specifically, but it may be helpful to Members of the Subcommittee in understanding the review process. I would therefore ask unanimous consent to have the letter placed into the record.

Without objection, so ordered.